



**Commonwealth of Kentucky
Finance and Administration Cabinet**

Matthew G. Bevin, Governor
William M. Landrum III, Secretary

FINANCE AND ADMINISTRATION CABINET TOP ACCOMPLISHMENTS FOR 2015

The Finance and Administration Cabinet continued its broad scope of work in 2015 accomplishing significant firsts in several areas. The Finance Cabinet's role in state government is somewhat different from other state agencies as it is primarily the support agency for state government. The cabinet's work, however, impacts more than state government. From information technology, procurement, financial controls, asset management, facilities, local government support to tax revenue collections and more, the Finance Cabinet provides services professionally, efficiently and transparently to client agencies and to the citizens of Kentucky.

The following highlights represent a wide range of service and accomplishments for 2015.

Awards and Recognitions

THE BOND BUYER 2015 DEAL OF THE YEAR: The innovatively structured tax-exempt bond deal using \$232 million to finance the KentuckyWired middle-mile won this coveted top award. This public-private-partnership (P3) to bring high-speed Internet to all 120 of the state's counties forged new territory in the P3 market with its unique, first-of-its-kind approach to broadband connectivity on a statewide basis. It was the first non-transportation P3 in the U.S. to use a tax-exempt governmental purpose bond structure that achieved shared transfer with the private sector. The bonds were also issued in a fixed-rate structure with quarterly principal amortization to further reduce annual interest expense, another first for a P3 deal.

EXCELLENCE IN DEVELOPMENT FINANCE PROJECT AWARD: KentuckyWired, the Commonwealth's 3,400 mile middle mile fiber optic network earned the top award from the Council of Development Finance Agencies (CDFA). The CDFA gave the award to the KentuckyWired public-private partnership (P3) between the Commonwealth and Macquarie Capital for the innovative financing package and forward thinking initiative.

ESRI SPECIAL ACHIEVEMENT IN GIS AWARD: The Commonwealth Office of Technology's Division of Geographic Information (DGI) Systems received this award, which recognizes user sites for outstanding work with GIS technology. DGI stood out from a crowded field of more than 100,000 sites from around the world. DGI won for its use of the ArcGIS platform to provide maintenance of the Kentucky Geography Network, which is the clearinghouse of GIS for the Commonwealth.

BEST OF WEB AWARD: The revamped Kentucky Business Onestop Portal received the 2015 Digital Government Achievement Award in the government-to-business category from the Center for Digital Government. The new version of the portal, found at onestop.ky.gov, makes it easier for newly registered and existing businesses to interact with the Office of the Kentucky Secretary of State and the Kentucky Department of Revenue.

28 YEARS OF EXCELLENCE: For the 28th consecutive year, the Office of the Controller has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). This is an important factor that bond rating agencies use to evaluate the credit worthiness of a governmental unit. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

SELECTED ACCOMPLISHMENTS

Commonwealth Office of Technology (COT)

I.3 CONSOLIDATION: The IT Infrastructure Initiative (I.3), announced in Sept. 2012 transferred operational control of all executive branch IT infrastructure services, equipment and employees to COT. The initiative is now more than 90% complete and has eliminated redundancies across agencies and improved efficiency and service delivery of IT infrastructure services. Actions have reduced the risk of system failure, privacy or security breach. Between the FY 2012 baseline and FY 2015, the I.3 initiative has saved slightly more than \$12 million for the Commonwealth.

KENTUCKY BUSINESS ONE STOP PORTAL PHASE ONE COMPLETED: The revamped portal makes it easier for new businesses to register and existing businesses to have access to their historical transactions with both the Office of the Kentucky Secretary of State and Department of Revenue. Phase I included master data management for 502,852 registered businesses and 423,899 individuals and Revenue One Stop Data Integration (RODI), which eliminates manual data entry and replaces 30-year old legacy systems throughout the department.

PRINT ON DEMAND DECALS (PODD) FOR VEHICLE REGISTRATION: License plate decals are now printed on demand at county clerks offices. With PODD, decal numbers are automatically assigned and tracked internally within the Kentucky Transportation Cabinet's data information system. PODD eliminates the need to pre-print numbered decals that had to be tracked and manually entered. PODD saves time, streamlines the process and reduces costs for the Transportation Cabinet and the 120 county clerks.

KENTUCKY E-LEARNING MANAGEMENT SYSTEM (KELMS): KELMS replaced the outdated training system and is an enterprise-wide online learning management program using a software-as-a-service platform. The new system is holistic in its approach and allows for easier coordination of training resources and records for both employees and managers. Agencies now pay a low-cost annual subscription fee instead of having several agency contracts with duplicate services and increased costs.

Office of the Controller

SAVINGS WITH BOND REFUNDING: The Office of Financial Management continued its practice of issuing bonds with low interest rates to refund various general fund and agency fund bonds, allowing the state to realize \$63 million in present value savings. There were 14 separate transactions totaling \$1.36 billion.

eMARS UPGRADE & ENTERPRISE BUSINESS INTELLIGENCE (EBI) INITIATIVE: Major enhancements and new functionalities for the infoAdvantage-eMARS reporting system went live in 2015, which included redeveloping all reports. In the new EBI 4.1 environment, new servers allow for additional "clustering" and load balancing for greater redundancy and overall system maintenance without the need to take the EBI application offline.

INTERNAL REVENUE SERVICE AGREEMENT: The Div. of Local Government Services negotiated an agreement with the IRS regarding changes to the FICA and Medicare contributions for the Commonwealth and all Kentucky governmental employers. Specifically, retirement contributions withheld from the employees are not deductible when calculating FICA and Medicare taxes, which results in an increase in those tax withholdings for both employees and employers. The agreement becomes effective on January 1, 2017, and does not allow for prior year assessments by the IRS. The employee will accumulate additional wages when applying for Social Security upon retirement.

Office of Procurement Services (OPS)

PROCUREMENT PROCESS IMPROVEMENT IMPLEMENTATION: OPS underwent an extensive third party review to streamline processes, practices and to identify and remove obstacles that negatively impact the procurement process for Commonwealth goods and services. Recommendations included the need to realign the current organizational structure to

be more strategic in procurements and use data to establish consistent ability to evaluate performance measures. OPS also developed a procurement manual that establishes processes, roles and methods for agencies.

Office of Equal Employment Opportunity & Contract Compliance

KENTUCKY MINORITY AND WOMEN BUSINESS ENTERPRISE (MWBE) CERTIFICATION: The MWBE program continues to grow and certified the 199th business owned by minority or female business owners. Of the 199 certified businesses 39 are minority owned businesses (MBE), 38 minority woman owned businesses (MWBE) and 122 woman owned businesses (WBE). Of these MWBE businesses, 35 were approved for initial certification and 29 were approved for recertification. Combined, these businesses employed 3,859 workers in the Commonwealth of Kentucky, an increase of 561 employees when compared to the 2014 employment total.

Office of Policy and Audit (OPA)

CONTINUOUS MONITORING OF PURCHASING ACTIVITY: OPA completed the initial phase of a project to provide continuous monitoring of Finance Cabinet ProCard purchasing activity. Phase II is in process and involves monitoring purchase transactions in relation to delegated small purchase authorities. Phase II testing and full project implementation is expected to be completed by the end of FY2016.

POLICY AND PROCEDURES REVIEW: The OPA Policy Branch facilitated the review and approval of the Finance Cabinet's Manual of Policies and Procedures (FAPs), which was submitted to the Governor's Office and Legislative Research Commission. This is the first official update of the FAPs since January 2006. In addition, OPA assisted with the consultation and creation of the new Office of Financial Management Investment Manual.

Department for Facilities and Support Services (DFSS)

NEW STATE OFFICE BUILDING: The Kentucky Finance and Administration Cabinet entered into its largest design-build-finance-operation agreement for a much needed office building in Frankfort to replace the aging Capital Plaza Tower. The 371,160-square-foot, 1,400 employee office building is on an aggressive construction schedule and is slated to be open late spring/early summer 2016. The new building is designed to reduce utility costs by approximately 20 to 25 percent of the current utility expenditures.

MONARCH WAYSTATION: A new Monarch waystation garden at the Governor's Mansion was dedicated in August. Not only does it provide a safe habitat for migrating Monarch butterflies, the garden provides a wonderful opportunity for students from across the Commonwealth to learn about environmental impacts and the plight of Monarch Butterflies, but also how students can create their own waystation at home or school.

CAPITOL RENOVATIONS: The Div. of Historic Properties oversaw major renovations of the House and Senate Chambers in Kentucky's cherished Capitol building. For the first time since 1910, all the original desks were restored and completely refinished and adapted for 21st century technology. Extensive plaster work and repair restored it to pre-1955 condition.

SURPLUS PROPERTY BRINGS VALUE TO CUSTOMERS: The Div. of Surplus Property coordinated the allocation and transfer of \$2.9 million in Federal personal property to eligible donee organizations. The overall cost to donees was a little more than \$460,000, which meant those organizations saved 84 percent allowing them to stretch their respective budgets. Also, through live auctions and eBay and spot sales, receipts totaled more than \$3.4 million. Approximately 90 percent was returned to agencies.

SAVING ENERGY AND MONEY: Several major heating-ventilation-air conditioning (HVAC) projects at the Central Lab and CHR building will lower utility costs through increased efficiencies. Overall, through the Commonwealth Energy Management and Control System (CEMCS) energy-saving opportunities are identified so that corrective

actions can be taken to reduce energy use. According to CEMCS, this year's utility savings are more than \$2.5 million and are on track to meet the 15 percent reduction target in 2015. To date, nearly 10 million square feet in 139 buildings a part of CEMCS.

Department of Revenue (DOR)

DRIVING REVENUE: Through continuing revenue enhancement initiatives (REI), DOR has added staff and technology resources to improve efficiency and increase receipts. REI II brought in more than \$39 million in fiscal year 2015.

REVENUE ONE-STOP DATA INTEGRATION (RODI): As a key part of the enhanced Kentucky Business One Stop (KyBOS) web Portal, RODI provides a seamless process from the portal to DOR's tax systems. This eliminates the need for manually keying new registrations received in the mail or from the portal. Now businesses and taxpayers will begin receiving tax return notifications and other information electronically. Some processes that would manually take a week or more to process are now done instantly, and in most cases, in a self-service model for the taxpayer.

FIGHTING FRAUD: By using both internal and external fraud tools, DOR stopped \$1 million in refund requests associated with identity theft and fraud. Also, nearly 5,000 taxpayers were referred for audit based upon questionable deductions and inconsistent filing patterns. With only about 30 percent of the audit referrals evaluated, audit assessments in excess of \$350,000 already have been issued. DOR will expand this initiative from individual income tax to include sales and corporate income tax.

COMPUTER ASSISTED COLLECTION SYSTEM FOR GOVERNMENT (CACS-G) PHASE II: The 30-year-old legacy tax collection system was replaced with the Phase I CACS-G in late 2014. Phase II went live in mid-2015 and implemented HB 440 features, which primarily focus on professional or drivers' license revocation for delinquent taxpayers.

Top Accomplishments for Agencies Administratively Attached To the Finance and Administration Cabinet

Kentucky Higher Education Assistance Authority (KHEAA) Kentucky Higher Education Student Loan Corporation (KHESLC)

OUTREACH SERVICES: In FY 2015, KHEAA and KHESLC Outreach Services staff counseled more than 180,250 Kentuckians on preparing for and reaching their higher education goals and touched the lives of citizens in all 120 Kentucky counties. Regional and mobile outreach counselors conducted 5,696 presentations, set up 702 exhibits, traveled more than 314,780 miles and made over 3,300 visits to schools, community contacts and other programs throughout the state.

Partners included numerous community, state, regional and national college access programs, retention initiatives and organizations to improve Kentucky's college-going rate and help students succeed through degree completion. Signature programs include KHEAA's College Application Month, Close the Deal and primary partnership in the Kentucky College Coaches Program.

GRANTS, LOANS, FORGIVENESS: KHEAA disbursed over \$209 million in the form of grants, scholarships and work-study programs. The Kentucky Advantage Education Loan for parents and students, continued to grow in popularity, experiencing a 25 percent increase over the last fiscal year. In FY 2015, KHESLC distributed \$1.8 million in Best in Class, Best in Care, and Best in Law loan forgiveness awards to 3,122 qualified applicants - Kentucky teachers, nurses and public service attorneys.

Kentucky Housing Corporation (KHC)

HOUSING ASSISTANCE: In fiscal year 2015, Kentucky Housing Corporation (KHC) closed \$253 million in single-family mortgages, helping 2,185 Kentucky families realize their dream of homeownership through KHC financing. KHC also provided homebuyer counseling and foreclosure prevention to 5,295 households. A new paperless workflow implemented this fiscal year has created faster service and greater efficiency in the underwriting process for partnering lenders and the homebuyer.

AFFORDABLE HOUSING: In fiscal year 2015, Kentucky Housing Corporation (KHC) invested \$214 million in tax exempt bonds and federal housing credits in multifamily production, totaling 3,345 rental units throughout the state. The total units produced represent triple the number of affordable rental units financed by KHC in a fiscal year, with the majority of this financing used to preserve existing affordable housing stock.

LOW RATE FINANCING IN SOAR REGION: In support of the Shaping Our Appalachian Region (SOAR) initiative, in fiscal year 2015, KHC provided \$8.1 million in 1 percent MRB low interest financing to provide housing for 60 low- to-moderate-income home buyers in the region. The average sales price, income and homeowner age were \$136,000, \$44,000 and 31 years, respectively.

Kentucky River Authority (KRA)

82 MILES OF OPEN RIVER ACCESS: Major lock rehab projects at Locks 1 and 2 were completed, reopening the first 82 miles of the Kentucky River from the Ohio River to Frankfort. It is the first time since 2007 that boaters can navigate the river unimpeded. For the season from Memorial Day through October there were 1,002 lockages with 1,725 boats, 6,202 people and one marriage ceremony.

DAM 8 RECONSTRUCTION: Approximately 90 percent of Dam 8's reconstruction is completed. This dam retains the water supply for Nicholasville and Lancaster Water Utilities.